

## Oklahoma City office market shines despite sluggish U.S. economy

Northwest submarket leads the way with Class A office vacancy plunging from 24.9 percent to 8.9 percent the past two years, according to the commercial real estate firm Price Edwards & Co.'s 2011 Year-End Office Market Summary.



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Q&A with Craig Tucker

Oklahoma City's office market  
defies sluggish national economy

**Q: Price Edwards & Co.'s 2011 Year-End Office Market Summary is out (available at [www.pricedwards.com](http://www.pricedwards.com)). What are the highlights?**

**A:** Despite a still sluggish national economy, Oklahoma City's office market continued the positive growth that began in the second half of 2010. During the year, the Oklahoma City office market absorbed nearly 200,000 square feet of previously vacant space. The market's overall vacancy rate decreased from 17 percent to 16.4 percent. The Northwest submarket continues to lead the recovery in the suburban markets. That sector absorbed nearly 80,000 square feet and saw its vacancy rate decline from 11.6 percent to 9.9 percent. Class A buildings in the Northwest submarket have dramatically improved over the past two years, dropping from 24 percent to only 8.9 percent vacant. We fully expect that success to continue in 2012 and to trickle down into the other classifications and suburban submarkets.

**Q: What effect has Chesapeake Energy's continued buying spree had on the office market?**

**A:** In addition to general growth within the Northwest submarket, both the North and Northwest submarkets have been and will continue to be very positively impacted by Chesapeake Energy's acquisition of approximately 800,000 square feet of multitenant buildings during 2011. While some of these buildings will remain multitenant offerings with Chesapeake occupying space alongside others, some will eventually be totally occupied by the energy giant as other tenants' leases are allowed to expire. These acquisitions thus have the twofold impact of taking vacant space off the market at the

buildings it has acquired and eventually putting displaced tenants out into the market to fill other vacancies.

**Q: What about downtown?**

**A:** For the local market to perform as well as it did is very positive considering approximately 600,000 square feet of available space will hit the downtown market over the next year as Devon Energy begins occupying its headquarters building, which is nearing completion. The central business district experienced a drop in its vacancy rate from 24.9 percent to 22.8 percent during 2011 as the submarket experienced positive absorption of over 110,000 square feet. The district will be tested during the next few years as it lives through the growing pains related to the construction of Devon Energy Center and the reconstruction of many streets and sidewalks in the central core, but when the work is complete it will result in a very vibrant business environment with greatly improved accessibility, public spaces and on-street parking options.

**Q: What other effects will the Devon Energy move have on downtown?**

**A:** Backfilling vacated Devon space will certainly be a challenge for downtown landlords, but it also should prove to be a golden opportunity to attract suburban users that are quite frankly running out of good options in the outlying markets. To be successful in those efforts, downtown landlords will need to overcome the lack of well located and economically priced parking solutions. Oklahoma City is very much a personal vehicle town with minimal usage of mass transit options, which further exacerbates the issue. Most downtown tenants pay between \$2.50 to \$4.50 per square foot per year for their employees to be able to park in a well located facility. Right now, the average Class A rental rate in the suburbs is approximately \$2.80 more than similar offerings downtown. It will bear watching to see if the rental rate spread widens enough to attract suburban users to the city's core or if the downtown improvements are enough to attract suburban tenants on their own merits. We think some combination of the two should lead to improved Central Business District occupancy.

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